

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

LEA MÁRQUEZ PETERSON-- Chairwoman
SANDRA D. KENNEDY
JUSTIN OLSON
ANNA TOVAR
JIM O'CONNOR

IN THE MATTER OF THE APPLICATION OF
JOHNSON UTILITIES, L.L.C., THROUGH ITS
INTERIM MANAGER, EPCOR WATER ARIZONA,
INC. FOR A DETERMINATION OF THE FAIR
VALUE OF ITS WATER AND WASTEWATER
UTILITY PLANT AND PROPERTY, FOR
INCREASES IN ITS RATES AND CHARGES FOR
WATER AND WASTEWATER UTILITY SERVICE,
AND FOR RELATED APPROVALS.

DOCKET NO. WS-02987A-20-0025
WS-01303A-20-0025

**STAFF'S NOTICE OF FILING
DIRECT TESTIMONY**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("Commission")
hereby submits the Direct Testimony (Rate Design) of Tanya D. Pitre and Direct Testimony (Cost of
Service) of Andrew T. Smith.

RESPECTFULLY SUBMITTED this 31st day of August 2021.

/s/ J. Antonio Arias
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On this 31st day of August 2021, the foregoing document was filed with Docket Control as a Utilities Division Pre-Filed Testimony, and copies of the foregoing were mailed on behalf of the Utilities Division to the following who have not consented to email service. On this date or as soon as possible thereafter, the Commission's eDocket program will automatically email a link to the foregoing to the following who have consented to email service.

WS-02987A-20-0025 and WS-01303A-20-0025
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BEFORE THE ARIZONA CORPORATION COMMISSION

LEA MÁRQUEZ PETERSON

Chairwoman

SANDRA D. KENNEDY

Commissioner

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ANNA TOVAR

Commissioner

JIM O'CONNOR

Commissioner

IN THE MATTER OF THE APPLICATION OF)	DOCKET NOS. WS-02987A-20-0025
EPCOR WATER ARIZONA, INC., SAN TAN)	WS-01303A-20-0025
WATER AND WASTEWATER DISTRICTS, FOR)	
A DETERMINATION OF THE FAIR VALUE OF)	
ITS WATER AND WASTEWATER UTILITY)	
PLANT AND PROPERTY, FOR INCREASES IN)	
ITS RATES AND CHARGES FOR WATER AND)	
WASTEWATER UTILITY SERVICE, AND FOR)	
<u>RELATED APPROVALS</u>)	

RATE DESIGN

DIRECT TESTIMONY

OF

TANYA PITRE

PUBLIC UTILITIES ANALYST

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 31, 2021

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EPCOR San Tan Wastewater District

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Typical Bill Analysis	TDP -19

**EXECUTIVE SUMMARY
OF
TANYA PITRE
EPCOR WATER ARIZONA, INC.
SAN TAN WATER AND WASTEWATER DISTRICTS
DOCKET NOS. WS-02987A-20-0025 ET AL**

EPCOR Water Arizona, Inc. (“EPCOR” or “Company”) is a class A public service corporation that provides water and wastewater utility service in various communities throughout the State of Arizona. On February 14, 2020, Johnson Utilities, L.L.C. (“Johnson”) through its interim manager EPCOR filed a rate application with the Arizona Corporation Commission (“Commission”). EPCOR and Johnson entered into an asset purchase agreement for EPCOR to acquire the water and wastewater systems’ assets of Johnson. EPCOR and Johnson completed the transaction on January 29, 2021. EPCOR renamed the former Johnson water and wastewater systems as the San Tan Water District (“San Tan Water”) and San Tan Wastewater District (“San Tan Wastewater”). On February 26, 2021, EPCOR amended the rate application filed on February 14, 2020, for both San Tan Water and San Tan Wastewater. During the test year, San Tan Water provided water service to 30,378 customers and San Tan Wastewater provided wastewater service to 43,353 customers.

San Tan Water District:

The Company’s proposed rates would increase the typical 3/4-inch meter residential bill with median usage of 4,500 gallons from \$24.50 to \$26.35, an increase of \$1.85 or 7.56 percent. Staff’s recommended rates would increase the typical 3/4-inch meter residential bill with median usage of 4,500 gallons from \$24.50 to \$24.80, an increase of \$0.30 or 1.23 percent.

The Company proposes a uniform three-tier rate structure for 3/4-inch metered residential customers, with breakover points of 4,000 and 10,000 gallons. Staff finds that it is reasonable for the Commission to approve the Company’s proposed uniform three-tier rate structure for 3/4-inch metered residential customers.

San Tan Wastewater District:

The Company’s proposed rates would increase the typical residential bill from \$39.24 to \$50.27, an increase of \$11.03 or 28.11 percent. Staff’s recommended rates would increase the typical residential bill from \$39.24 to \$50.17, an increase of \$10.93 or 27.85 percent.

Staff recommends approval of its recommended rates and charges for both San Tan Water and San Tan Wastewater.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Tanya D. Pitre. I am a Public Utilities Analyst employed by the Arizona Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Tanya Pitre whose direct testimony was filed earlier in this docket?

A. Yes, I am.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff’s analysis and recommendations regarding EPCOR Water Arizona, Inc.’s (“EPCOR” or “Company”) proposed rate designs for San Tan Water District (“San Tan Water”) and EPCOR Water Arizona, Inc., San Tan Wastewater District (“San Tan Wastewater”) in this proceeding.

RATE DESIGN SAN TAN WATER

Q. Did Staff prepare schedules showing the present, Company-proposed, and Staff-recommended rates and charges?

A. Yes. Staff Schedule TDP-18 shows the present rates, the Company’s proposed rates, and Staff’s recommended rates. Schedule TDP-18 also shows the present, proposed, and recommended service charges. Staff Schedule TDP-19 shows the bill impact of the Company’s proposed rates, and Staff’s recommended rates on a typical 3/4-inch meter residential customers with a median consumption.

Q. Please briefly describe the Company’s current and proposed rate design.

A. Under the Company’s current and proposed rate structure, customer classes are distinguished by meter sizes, and the monthly minimum charges vary by meter size, with

1 no gallons. For San Tan Water, the Company proposes a uniform three-tiered rate structure
2 for 5/8 x 3/4-inch and 3/4-inch metered residential customers, with the same breakover
3 points of 4,000 and 10,000 gallons. For the larger residential and all commercial classes,
4 the Company proposes a two-tiered rate structure with break-over points that increase with
5 meter size.

6
7 **Q. Please comment on the Company's proposed rate design.**

8 A. Staff finds that it is reasonable for the Commission to approve the Company's proposed rate
9 structure.

10
11 **Q. Please provide an overview of the present rate design for San Tan Water.**

12 A. San Tan Water's current rate design is comprised of a three-tiered rate structure with
13 monthly minimum charges that vary by meter size with no gallons. The monthly minimum
14 for a 3/4-inch residential customer is \$16.34. The commodity rates for 3/4-inch residential
15 customers are \$1.771 per thousand gallons for the first-tier, from zero to 4,000 gallons,
16 \$2.150 per thousand gallons for the second-tier, from 4,001 to 10,000 gallons, and \$2.506
17 per thousand gallons for the third-tier, for any consumption over 10,000 gallons. The larger
18 residential and commercial classes have two-tiers with break-over points that increase with
19 meter size, with a commodity rate of \$2.150 per thousand gallons for the first-tier and a
20 commodity rate of \$2.506 per thousand gallons, for any consumption over the first tier.

21
22 **Q. Please provide an overview of the Company's proposed rate design for San Tan Water.**

23 A. Under the Company's proposals, the monthly minimum for a 3/4-inch residential customer
24 is \$16.97. The commodity rates for 3/4-inch residential customers are \$2.037 per thousand
25 gallons for the first-tier, from zero to 4,000 gallons, \$2.473 per thousand gallons for the
26 second-tier, from 4,001 to 10,000 gallons, and \$2.882 per thousand gallons for the third-
27 tier, for any consumption over 10,000 gallons. The larger residential and commercial

1 classes' commodity break-over points increase with meter size with a commodity rate of
2 \$2.473 per thousand gallons for the first-tier and a commodity rate of \$2.882 per thousand
3 gallons for any consumption over the first tier.
4

5 **Q. Please summarize Staff's recommended rate design for San Tan Water.**

6 A. Staff recommends approval of the Company's proposed three-tiered rate structure for 3/4-
7 inch residential customers. Staff recommends a monthly minimum charge for a 3/4-inch
8 residential customer of \$16.43. For the 3/4-inch residential customers, Staff recommends a
9 commodity rate of \$1.82 per thousand gallons for the first-tier, from zero to 4,000 gallons,
10 \$2.19 per thousand gallons for the second-tier, from 4,001 to 10,000 gallons, and \$2.58 per
11 thousand gallons for the third-tier, for any consumption over 10,000 gallons. For the larger
12 residential and commercial classes, Staff recommends a commodity rate of \$2.19 per
13 thousand gallons for the first-tier and a \$2.58 per thousand gallons for the second-tier, for
14 any consumption over the first tier.
15

16 **Q. Please describe whether the present, Company proposed, and Staff recommended**
17 **rates comply with the Commission water policy outlined in Decision No. 75626**
18 **regarding the revenues generated from the monthly minimum charge and first tier**
19 **commodity rate?**

20 A. For San Tan Water's typical 3/4-inch residential meter, the Company's current rates
21 generate 79.13 percent of its revenue from the first-tier commodity and monthly minimum
22 charges, and 7.04 percent from the third tier, as shown on Schedule TDP-20. The
23 Company's proposed rates would generate 77.86 percent of San Tan Water's revenue from
24 the first-tier commodity and monthly minimum charges, and 7.46 percent from the third tier
25 for the typical 3/4-inch residential meter.
26

Staff recommends accepting the Company's approach to structure rates that increase by meter size and inverted three-tier commodity rates. In setting rates, Staff considered the Commission's water policy outlined in Decision No. 75626, which provides guidelines for Staff's rate design to generate at least 50.00 percent of the revenue requirement from the combination of the Basic Service Charge and the first-tier of volumetric rates. The guidelines also provides that the third or top tier should generate no more than 20.00 percent and no less than 10.00 percent of the revenue requirement. After considering these guidelines, Staff recommends break-over points at 4,000 gallons and 10,000 gallons for 3/4-inch residential meter sizes. For the typical 3/4-inch residential meter, Staff's recommended rates would generate 78.94 percent of the Company's revenue from the first-tier commodity and monthly minimum charges, and 7.15 percent from the third tier, as shown on Schedule TDP-20. Staff notes that the percentage of the revenue requirement generated from the third tier is lower than the minimum of 10.00 percent set forth in Decision No. 75626. However, Staff believes that its recommended rate design is appropriate at this time. Staff recommends that the Company gradually align its proposed rates in future rate applications to meet the Commission policy.

Q. What is the rate impact on a residential customer in San Tan Water?

A. The Company's proposed rates would increase the typical 3/4-inch meter residential bill with a median usage of 4,500 gallons from \$24.50 to \$26.35, an increase of \$1.85 or 7.56 percent. Staff's recommended rates would increase the typical 3/4-inch meter residential bill with a median usage of 4,500 gallons from \$24.50 to \$24.80 an increase of \$0.30 or 1.23 percent, as shown on Schedule TDP-19.

Q. Does the Company propose a new rate class for San Tan Water?

A. Yes. The Company proposes a new standpipe rate in this proceeding.

1 **Q. What rate does the Company propose for the new standpipe?**

2 A. The Company does not propose a monthly minimum charge for standpipe rates as Standpipe
3 water is sold based on volumetric rate. As a result, the Company proposes a commodity
4 rate of \$2.882 per thousand gallons for standpipe customers.

5
6 **Q. What does Staff recommend for the standpipe rates?**

7 A. Staff recommends no monthly minimum charge. Staff recommends adoption of \$2.58 per
8 thousand gallons, Staff's recommended top tier commodity rate in this proceeding, as the
9 commodity rate for San Tan Water's standpipe customers.

10
11 *Service charges*

12 **Q. What does the Company propose for service charges for San Tan Water?**

13 A. The Company proposed the following service charges for San Tan Water:
14 a. \$25.00 Establishment of Service Charge.
15 b. Removing from the tariff charges for Establishment (After hours).
16 c. \$50.00 Reconnection of Service Charge (delinquent).
17 d. \$25.00 Meter Test.
18 e. Deposit Requirement (Residential) per Commission Rule R14-2-403.B.
19 f. Deposit Requirement (Non-Residential Meter) per Commission Rule.
20 g. Deposit interest per Rule 14-2-403.B.
21 h. Re-Establishment (Within 12 months) minimum charge times number months off
22 system. Per Rule R14-2-403.D.
23 i. Re-Establishment (After hours) minimum charge times number months off system.
24 Per Rule R14-2-403.D.
25 j. \$25.00 NSF Charge.
26 k. Deferred Payment (per month) at 1.5 percent per month.
27 l. Meter Re-read of \$5.00.

- 1 m. Charge of moving customer meter-customer requested per Rule R14-2-405.B, at
2 Cost.
3 n. \$40.00 After Hours Service Charge, per Rule R14-2-403.D.
4 o. Late Payment Fee (per month) at 1.5 percent per month.
5

6 **Q. What is Staff's recommendation?**

7 A. Staff reviewed the Company's proposed service charges and recommends approval.
8

9 **Q. Does the Company propose any changes to its service line and meter installation**
10 **charges for San Tan Water?**

11 A. No. The Company did not propose any changes to its service line and meter installation
12 charges.
13

14 **Q. What is Staff recommending for the service line and meter installation charges for San**
15 **Tan Water?**

16 A. Staff agrees with the Company and recommends retaining San Tan Water's current service
17 line and meter installation charges in this proceeding.
18

19 **Q. Does the Company propose any changes to the existing Off-Site Facilities Hook-up**
20 **Fees for San Tan Water?**

21 A. No. The Company does not propose any changes to its current Off-Site Facilities Hook-up
22 Fees.
23

24 **Q. What is Staff recommending for the Off-Site Facilities Hook-up Fees for San Tan**
25 **Water?**

26 A. Staff agrees with the Company to retain the San Tan Water's current Off-Site Facilities
27 Hook-up Fees in this proceeding.

RATE DESIGN SAN TAN WASTEWATER

Q. Did Staff prepare schedules showing the present, Company-proposed, and Staff-recommended rates and charges?

A. Yes. Staff Schedule TDP-18 shows the present rates, the Company's proposed rates, and Staff's recommended rates. The schedule also shows the present, proposed, and recommended service charges. Staff Schedule TDP-19 shows the bill impact on 3/4-inch meter residential customers.

Q. Please briefly describe the Company's proposed rate design.

A. Under the Company's current and proposed rate structure, customer classes are distinguished by service sizes.

Q. Please provide an overview of the present rate design for San Tan Wastewater.

A. San Tan Wastewater's current rate design is comprised of a monthly flat rate service charge that varies by service size for all classes.

Q. Does the Company propose any changes to its rate design for San Tan Wastewater?

A. No. For San Tan Wastewater, the Company proposes to continue to maintain a monthly flat rate service charge for each service size.

Q. Would you please summarize Staff's recommended rate design for San Tan Wastewater?

A. Staff recommends approval of the Company's proposed rate design using a flat monthly rate for each service size.

1 **Q. What is the rate impact on a residential customer in San Tan Wastewater?**

2 A. The Company's proposed rates would increase the typical 3/4-inch residential bill from
3 \$39.24 to \$50.27, an increase of \$11.03 or 28.11 percent. Staff's recommended rates would
4 increase the typical 3/4-inch residential bill from \$39.24 to \$50.17, an increase of \$10.93 or
5 27.85 percent, as shown on Schedule TDP-19.

6
7 **Q. Does the Company propose any additional increases in other rate classes in their**
8 **application?**

9 A. Yes. The Company proposed an increase in its Effluent Sales rates.

10
11 **Q. What does the Company propose for San Tan Wastewater's effluent sales rates?**

12 A. For San Tan Wastewater, the Company proposes an increase in its effluent sales per 1,000
13 gallons from \$0.68 to \$0.87, and per acre foot gallons from \$221.58 to \$283.49.

14
15 **Q. Did Staff review the Company proposed changes to effluent sales?**

16 A. Yes.

17
18 **Q. What does Staff recommend for San Tan Wastewater's effluent sales?**

19 A. Staff recommends adoption of the Company's proposed rates for effluent sales.

20
21 *Service charges*

22 **Q. What does the Company propose for service charges for San Tan Wastewater?**

23 A. The Company proposes the following service charges for San Tan Wastewater:

- 24 a. \$25.00 Establishment of Service Charge.
- 25 b. Removing from the tariff charges for Establishment (After hours).
- 26 c. Deposit Requirement (Residential) per Commission Rule R14-2-603.B.
- 27 d. Deposit Requirement (Non-Residential Meter) per Commission Rule R14-2-603.B.

- e. Deposit interest per Rule R14-2-603.B.
- f. Re-Establishment (Within 12 months) minimum charge times number months off system. Per Rule R14-2-603.D.
- g. Re-Establishment (After hours) minimum charge times number months off system. Per Rule R14-2-603.D.
- h. \$25.00 NSF Charge.
- i. Deferred Payment (per month) at 1.5 percent per month.
- j. \$40.00 After Hours Service Charge, per Rule R14-2-603.D.
- k. Late Payment Fee (per month) at 1.5 percent per month.

Q. What is Staff's recommendation?

A. Staff reviewed the Company's proposed service charges and recommends approval.

Q. Does the Company propose any changes to the service line connection charge for San Tan Wastewater?

A. No. The Company does not propose any changes to its service line connection charge.

Q. What is Staff recommending for the service line connection charge for San Tan Wastewater?

A. Staff agrees with the Company, to maintain the current service line connection charge going-forward.

Q. Does the Company propose any changes to the Off-Site Facilities Hook-up Fees for San Tan Wastewater?

A. No. The Company does not propose any changes to San Tan Wastewater's Off-Site Facilities Hook-up Fees in this proceeding.

1 **Q. What is Staff recommending for the Off-Site Facilities Hook-up Fees for San Tan**
2 **Wastewater?**

3 A. Staff recommends approval of the Company's proposal to retain the current Off-Site
4 Facilities Hook-up Fees in this proceeding.

5

6 **Q. Does this conclude your rate design testimony?**

7 A. Yes.

WATER SCHEDULES

RATE DESIGN			
	Present Rates	Company Proposed Rates	Staff Recommended Rates
Monthly Usage Charge			
5/8" x 3/4" Meter	\$10.90	\$11.32	\$10.95
3/4" Meter- Residential Only	16.34	16.97	16.43
3/4" Meter	16.34	16.97	27.38
1" Meter - Residential Only	27.24	28.28	27.38
1" Meter	27.24	28.28	87.60
1 1/2" Meter	54.48	56.57	175.20
2" Meter	87.17	90.51	273.75
3" Meter	174.70	181.39	547.50
4" Meter	272.40	282.83	876.00
6" Meter	544.79	565.66	1,259.25
8" Meter	901.30	935.82	876.00
10" Meter	1,295.61	1,345.23	1,259.25
Construction - Hydrants	0.00	0.00	
Standpipe	*NT	See testimony	See testimony
*NT - No Tariff			
Commodity Rates (per 1,000 gallons)			
5/8 x 3/4" & 3/4" Meter - Residential			
Gallons Included in Minimum	0	0	0
From 0 to 4,000 Gallons	\$1.771	\$2.037	\$1.82
From 4,001 to 10,000 Gallons	2.150	2.473	2.19
Over 10,000 Gallons	2.506	2.882	2.58
5/8 x 3/4" & 3/4" Meter - Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 0 gallons to 10,000	\$2.150	\$2.473	\$2.19
Over 10,000 Gallons	2.506	2.882	2.58
1" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 32,000 Gallons	\$2.150	\$2.473	\$2.19
Over 32,000 Gallons	2.506	2.882	2.58
1 1/2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 88,000 Gallons	\$2.150	\$2.473	\$2.19
Over 88,000 Gallons	2.506	2.882	2.58
2" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 156,000 Gallons	\$2.150	\$2.473	\$2.19
Over 156,000 Gallons	2.506	2.882	2.58
3" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 339,000 Gallons	\$2.150	\$2.473	\$2.19
Over 339,000 Gallons	2.506	2.882	2.58
4" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 545,000 Gallons	\$2.150	\$2.473	\$2.19
Over 545,000 Gallons	2.506	2.882	2.58
6" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 1,120,000 Gallons	\$2.150	\$2.473	\$2.19
Over 1,120,000 Gallons	2.506	2.882	2.58
8" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 1,800,000 Gallons	\$2.150	\$2.473	\$2.19
Over 1,800,000	2.506	2.882	2.58
10" - Residential, Commercial & Industrial			
Gallons Included in Minimum	0	0	0
From 1 to 2,600,000 Gallons	\$2.150	\$2.473	\$2.19
Over 2,600,000	2.506	2.882	2.58
Construction - Hydrants			
All Gallons	\$2.506	\$2.882	\$2.58
Standpipe			
All Gallons	NT	\$2.882	\$2.58
Central Arizona Project	See Tariff	See Tariff	See Tariff

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, or use tax. Per commission rule A.A.C. 14-2-409D(5).

TYPICAL BILL ANALYSIS
General Service 3/4-Inch Meter

Average Number of Customers: 26,628

Company Proposed	Gallons	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Average Usage	5,685	\$27.05	\$29.29	\$2.24	8.28%
Median Usage	4,500	\$24.50	\$26.35	\$1.85	7.56%
<u>Staff Recommend</u>					
Average Usage	5,685	\$27.05	\$27.40	\$0.35	1.30%
Median Usage	4,500	\$24.50	\$24.80	\$0.30	1.23%

Present & Proposed Rates (Without Taxes)
General Service 3/4-Inch Meter

Gallons	Present Rates	Company Proposed Rates	% Increase	Staff Recommended Rates	% Increase
Consumption					
0	\$16.34	\$16.97	3.9%	\$16.43	0.5%
1,000	18.11	19.01	4.9%	18.25	0.7%
2,000	19.88	21.04	5.8%	20.07	0.9%
3,000	21.65	23.08	6.6%	21.89	1.1%
4,000	23.42	25.12	7.2%	23.71	1.2%
5,000	25.57	27.59	7.9%	25.90	1.3%
6,000	27.72	30.06	8.4%	28.09	1.3%
7,000	29.87	32.54	8.9%	30.28	1.3%
8,000	32.02	35.01	9.3%	32.47	1.4%
9,000	34.17	37.48	9.7%	34.66	1.4%
10,000	36.32	39.96	10.0%	36.85	1.4%
15,000	48.85	54.37	11.3%	49.74	1.8%
20,000	61.38	68.78	12.0%	62.64	2.0%
25,000	73.91	83.19	12.5%	75.53	2.2%
50,000	136.56	155.24	13.7%	140.01	2.5%
75,000	199.21	227.29	14.1%	204.48	2.6%
100,000	261.86	299.34	14.3%	268.96	2.7%
125,000	324.51	371.39	14.4%	333.43	2.7%
150,000	387.16	443.44	14.5%	397.91	2.8%
175,000	449.81	515.49	14.6%	462.38	2.8%
200,000	512.46	587.54	14.6%	526.86	2.8%

REVENUE BREAKDOWN

			Base Charge	First Tier	Perc	Second Tier	Perc	Third Tier	Perc	Total
Residential	3/4" Meter	Present	5,221,137	1,770,274	79.13%	1,222,672	13.84%	621,802	7.04%	8,835,885
		Company Proposed	5,422,441	2,036,165	77.86%	1,406,357	14.68%	715,097	7.46%	9,580,061
		Staff Recommended	5,248,297	1,819,254	78.94%	1,245,419	13.91%	639,915	7.15%	8,952,885
Residential	Total	Present	\$5,221,137	\$1,770,274	79.13%	\$1,222,672	13.84%	\$621,802	7.04%	\$8,835,885
		Company Proposed	5,422,441	2,036,165	77.86%	1,406,357	14.68%	715,097	7.46%	9,580,061
		Staff Recommended	5,248,297	1,819,254	78.94%	1,245,419	13.91%	639,915	7.15%	8,952,885

WASTEWATER SCHEDULES

RATE DESIGN

Monthly Service Charge - All Classes

5/8 x 3/4"
3/4"
1"
1 1/2"
2"
3"
4"
6"
8"
10"

Present Rates	Company Proposed	Staff Recommended
\$36.11	\$46.26	\$45.56
39.24	50.27	50.17
49.27	63.11	62.99
61.26	78.47	78.32
98.77	126.52	126.28
392.46	502.74	501.78
753.45	965.17	963.32
1,022.52	1,309.85	1,307.35
1,490.50	1,909.33	1,905.68
2,143.03	2,745.22	2,739.97

Effluent Sales

Per 1,000 Gallons
Per acre foot Gallons

\$0.68	\$0.87	\$0.87
221.58	283.49	283.49

Off-site Facilities Hook-Up Fee

Service Lateral Size (inches)

4"
6"
8" or Greater

\$3,900.00	\$3,900.00	\$3,900.00
8,775.00	8,775.00	8,775.00
15,600.00	15,600.00	15,600.00

Service Charges:

Establishment
Establishment (After hours)
Deposit Requirement (Residential)
Deposit Requirement (Non Residential)
Deposit Interest
Re-Establishment (Within 12 Months)
Re-Establishment (After Hours)
NSF Check*
Deferred Payment, Per Month
Refer to above
After Hours Service Charge, per Rule R14-2-603D
Late Charge, Per Month
Service Line Connection Charge
Main Extension Tariff, Per Rule R14-2-606B, except refunds shall be based upon five percent (5%) of gross revenues from bonafide customers, until all advances are fully refunded to Developer.

Present Rates	Company Proposed	Staff Recommended
\$25.00	\$25.00	\$25.00
\$40.00	remove	remove
(a)	(a)	(a)
(a)	(a)	(a)
(b)	(b)	(b)
(c)	(c)	(c)
(c)	(c)	remove
\$15.00	\$25.00	\$25.00
1.50%	1.50%	1.50%
charges	\$40.00	\$40.00
1.50%	1.50%	1.50%
\$350.00	\$350.00	\$350.00
Cost	Cost	Cost

* May only charge one NSF fee when customers are billed for wastewater and water on one bill

- (a) Per Commission Rule R14-2-603.B.
- (b) Interest per Rule R14-2-603.B.
- (c) Minimum charge times number of full months off the system, per Rule R14-2-603.D.2.

In addition to the collection of regular rates, the utility will collect from its customers a proportionate share of any privilege, sales, or use tax. Per commission rule A.A.C. 14-2-409D(5).

TYPICAL BILL ANALYSIS				
Residential- 3/4"				

Residential				
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	Present Rates	Proposed Rates	Dollar Increase	Percent Increase
Company Proposed	\$39.24	\$50.27	\$11.03	28.11%
Staff Recommended	\$39.24	\$50.17	\$10.93	27.85%

BEFORE THE ARIZONA CORPORATION COMMISSION

LEA MÁRQUEZ PETERSON

Chairwoman

SANDRA D. KENNEDY

Commissioner

JUSTIN OLSON

Commissioner

ANNA TOVAR

Commissioner

JIM O'CONNOR

Commissioner

IN THE MATTER OF THE APPLICATION OF)	DOCKET NOS. WS-02987A-20-0025
EPCOR WATER ARIZONA, INC., SAN TAN)	WS-01303A-20-0025
WATER AND WASTEWATER DISTRICTS, FOR)	
A DETERMINATION OF THE FAIR VALUE OF)	
ITS WATER AND WASTEWATER UTILITY)	
PLANT AND PROPERTY, FOR INCREASES IN)	
ITS RATES AND CHARGES FOR WATER AND)	
WASTEWATER UTILITY SERVICE, AND FOR)	
<u>RELATED APPROVALS</u>)	

RATE DESIGN

DIRECT TESTIMONY

OF

ANDREW SMITH

ENGINEERING SUPERVISOR

UTILITIES DIVISION

ARIZONA CORPORATION COMMISSION

AUGUST 31, 2021

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**EXECUTIVE SUMMARY
OF
ANDREW SMITH
EPCOR WATER ARIZONA, INC.
SAN TAN WATER AND WASTEWATER DISTRICTS
DOCKET NOS. WS-02987A-20-0025 ET AL**

Andrew Smith's testimony discusses the Arizona Corporation Commission ("ACC" or "Commission") Utilities Division Staff's ("Staff") review of EPCOR Water Arizona Inc.'s ("EPCOR" or "Company") Cost of Service Study ("COSS") for the rate case filed with the Commission and presents the results of Staff's review.

Based on its review of EPCOR's COSS, Staff's conclusions and recommendations are as follows:

1. Staff concludes that EPCOR performed the COSS consistent with the methodology generally accepted in the industry and developed all of the allocation factors appropriately.
2. Staff concludes that, based on the evaluation of the COSS model utilized by EPCOR, the results of the COSS are satisfactory.
3. Staff recommends that EPCOR's COSS allocations and factors be accepted as reasonable in this matter.

INTRODUCTION

Q. Please state your name, occupation, and business address.

A. My name is Andrew Smith. I am an Engineering Supervisor employed by the Arizona Corporation Commission (“ACC” or “Commission”) in the Utilities Division (“Staff”). My business address is 1200 West Washington Street, Phoenix, Arizona 85007.

Q. Are you the same Andrew Smith who filed direct testimony in this docket?

A. Yes.

Q. What is the scope of your testimony in this case?

A. I am presenting Staff’s review of EPCOR Water Arizona Inc.’s (“EPCOR” or “Company”) Cost of Service Study (“COSS”).

COST OF SERVICE STUDY

Q. What does the COSS signify?

A. There are three steps in performing the COSS. They are: 1) Functionalization; 2) Classification; and 3) Allocation. First, the COSS enables a determination of the system cost of service by classifying the utility’s costs (investments and expenses) by function, such as commodity-related, demand-related, customer-related, and direct fire-related functions. Customer-related functions are further broken down into customers and customer services. Second, the study breaks down these costs by customer classes to reflect as closely as possible the cost causation by respective customer classes. Third, the results of the COSS provide a benchmark for the revenues needed from each customer category by appropriately allocating the revenue requirement for each customer class.

1 **Q. Is there a standard COSS model?**

2 A. There is no standard methodology for designing a COSS, but it is generally advisable to
3 evaluate a range of alternatives to identify which allocations are more reasonable than
4 others; for that reason, the COSS should be used as a general guide only and as one of many
5 considerations in designing rates.

6
7 **Q. Did Staff perform a separate independent COSS?**

8 A. No.
9

10 **Q. Please describe the process Staff used in reviewing the Company's COSS.**

11 A. Staff reviewed EPCOR's overall COSS methodology, which is the commodity-demand
12 methodology as outlined in the American Water Works Association Manual M1, "Principles
13 of Water Rates, Fees, and Charges". The methodology breaks down the costs of providing
14 water service into four primary cost components: commodity costs (costs that tend to vary
15 with the amount of water used by the customers), demand costs (costs associated with peak
16 use/demand), customers costs (costs not associated with water use, such as billing), and
17 direct fire protection costs. Staff then reviewed the Cost of Service G Schedules reflecting
18 various allocations factors (for Commodity, Demand, Customer, and Direct Private Fire).
19 Staff reviewed the Test Year and incorporated its rate base, revenues, and expense
20 adjustments in the appropriate G Schedules filed by the Company. The G-1 and G-2
21 schedules are included with this testimony. The G-1 Schedule represents present rates using
22 Staff's adjusted test year amounts. The G-2 Schedules include the impacts of Staff's
23 recommended revenue requirement.

CONCLUSIONS AND RECOMMENDATIONS

Q. What are Staff's conclusions and recommendations regarding the Cost of Service Study?

A. Based on a review of EPCOR's COSS, Staff's conclusions and recommendations are as follows:

1. Staff concludes that EPCOR performed the COSS consistent with the methodology generally accepted in the industry and developed the allocation factors appropriately.
2. Staff concludes that, based on the evaluation of the COSS model utilized by EPCOR, the results of the COSS are satisfactory.
3. Staff recommends that EPCOR's COSS allocations and factors be accepted as reasonable in the matter.

Staff's conclusions are limited to the specific facts of this case and do not create any precedent regarding Cost of Service Studies.

Q. Does this conclude your direct testimony?

A. Yes.

EPCOR Arizona, Inc. - San Tan Water District
Test Year Ended 08/31/2019
Cost of Service Summary
At Proposed Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Comm/Ind	Irrigation	Public Authority	Standpipe/ Construction
1	<u>RATE BASE (a)</u>							
2	Gross Plant in Service	\$ 112,483,548	\$ 112,483,548	\$ 86,589,897	\$ 2,710,981	\$ 21,325,436	\$ 942,914	\$ 914,320
3	Accumulated Depreciation	<u>36,105,402</u>	<u>36,105,402</u>	<u>28,312,862</u>	<u>847,435</u>	<u>6,329,190</u>	<u>305,718</u>	<u>310,196</u>
4	Net Plant	\$ 76,378,147	\$ 76,378,147	\$ 58,277,035	\$ 1,863,546	\$ 14,996,245	\$ 637,196	\$ 604,124
5	Construction Work in Progress							
6	Working Capital Assets & Misc. Other	(3,413,269)	(3,413,269)	(2,604,347)	(83,280)	(670,168)	(28,476)	(26,998)
7	Contributions & Advances in Aid of Construction	<u>(70,576,190)</u>	<u>(70,576,190)</u>	<u>\$(53,850,104)</u>	<u>\$(1,721,985)</u>	<u>\$(13,857,077)</u>	<u>\$(588,792)</u>	<u>\$(558,233)</u>
8	TOTAL RATE BASE [A]	\$ 2,388,687	\$ 2,388,687	\$ 1,822,584	\$ 58,281	\$ 469,000	\$ 19,928	\$ 18,894
9	<u>OPERATING REVENUES (c)</u>							
10	Proposed Rate Schedules(b)	\$ 12,519,968	\$ 12,519,968	\$ 9,473,505	\$ 317,637	\$ 2,074,841	\$ 396,828	\$ 257,158
11	Other Revenues	<u>505,330</u>	<u>505,330</u>	<u>363,082</u>	<u>14,042</u>	<u>119,044</u>	<u>4,431</u>	<u>4,731</u>
12	TOTAL OPERATING REVENUES [A]	\$ 13,025,298	\$ 13,025,298	\$ 9,836,587	\$ 331,679	\$ 2,193,884	\$ 401,259	\$ 261,889
13	<u>OPERATING EXPENSES (c)</u>							
14	Operations and Maintenance							
15	Production	\$ 3,517,517	\$ 3,517,517	\$ 2,565,538	\$ 95,115	\$ 794,599	\$ 31,602	\$ 30,663
16	Transmission and Distribution	<u>1,767,413</u>	<u>1,767,413</u>	<u>1,373,023</u>	<u>41,716</u>	<u>323,792</u>	<u>14,604</u>	<u>14,279</u>
17	Customer Accounts	<u>1,052,685</u>	<u>1,052,685</u>	<u>1,027,428</u>	<u>4,395</u>	<u>18,636</u>	<u>1,097</u>	<u>1,129</u>
18	Administrative and General	<u>2,702,261</u>	<u>2,702,261</u>	<u>2,358,049</u>	<u>37,670</u>	<u>282,372</u>	<u>12,276</u>	<u>11,894</u>
19	Total Operating and Maintenance Expense	\$ 9,039,877	\$ 9,039,877	\$ 7,324,038	\$ 178,895	\$ 1,419,400	\$ 59,579	\$ 57,965
20	Depreciation and Amortization	<u>2,376,471</u>	<u>2,376,471</u>	<u>1,911,959</u>	<u>53,140</u>	<u>370,173</u>	<u>19,954</u>	<u>21,245</u>
21	Taxes Other Than Income	<u>564,198</u>	<u>564,198</u>	<u>430,487</u>	<u>13,766</u>	<u>110,776</u>	<u>4,707</u>	<u>4,463</u>
22	Income Taxes	<u>248,906</u>	<u>248,906</u>	<u>33,964</u>	<u>21,092</u>	<u>70,858</u>	<u>78,755</u>	<u>44,238</u>
23	TOTAL EXPENSES [A]	\$ 12,229,452	\$ 12,229,452	\$ 9,700,447	\$ 266,893	\$ 1,971,207	\$ 162,994	\$ 127,910
24	OPERATING INCOME	\$ 795,846	\$ 795,846	\$ 136,140	\$ 64,785	\$ 222,677	\$ 238,265	\$ 133,979
25	OPERATING MARGIN AT PROPOSED RATES (L24/L12)	6.11%	6.11%	1.38%	19.53%	10.15%	59.38%	51.16%

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Supporting Schedules

(a) G-3
(b) H-1
(c) G-4b
(d) C-5

Recap Schedules

[A] A-1
[B] G-1

EPCOR Arizona, Inc. - San Tan Wastewater District
Test Year Ended August 31, 2019
Cost of Service Summary
At Proposed Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Commercial	Public Authority
1	<u>RATE BASE (a)</u>					
2	Gross Plant in Service	\$ 175,819,109	\$ 175,819,109	\$ 173,089,773	\$ 1,870,851	\$ 858,485
3	Accumulated Depreciation	69,479,673	69,479,673	68,370,698	758,298	350,678
4	Net Plant	\$ 106,339,436	\$ 106,339,436	\$ 104,719,075	\$ 1,112,553	\$ 507,808
5	Construction Work in Progress	-	-	-	-	-
6	Working Capital Assets & Misc. Other	950,469	950,469	935,987	9,944	4,539
7	Contributions & Advances in Aid of Construction	(107,199,716)	(107,199,716)	(105,566,246)	(1,121,554)	(511,916)
8	TOTAL RATE BASE [A]	\$ 90,189	\$ 90,189	\$ 88,815	\$ 944	\$ 431
9	<u>OPERATING REVENUES (c)</u>					
10	Proposed Rate Schedules(b)	\$ 23,682,536	\$ 23,682,536	\$ 23,341,186	\$ 223,186	\$ 118,164
11	Other Revenues	429,743	429,743	423,429	2,915	3,400
12	Effluent Revenues	615,444	615,444	606,401	4,174	4,869
13	TOTAL OPERATING REVENUES [A]	\$ 24,727,724	\$ 24,727,724	\$ 24,371,016	\$ 230,275	\$ 126,432
14	<u>OPERATING EXPENSES (c)</u>					
15	Operations and Maintenance					
16	Collection and Pumping	\$ 4,976,723	\$ 4,976,723	\$ 4,903,045	\$ 44,993	\$ 28,686
17	Treatment and Disposal	4,505,245	4,505,245	4,435,302	41,098	28,844
18	Reclaimed Water	-	-	-	-	-
19	Customer Accounts	1,386,029	1,386,029	1,380,174	4,985	869
20	Administrative and General	6,249,628	6,249,628	6,171,711	46,059	31,858
21	Total Operating and Maintenance Expense	\$ 17,117,625	\$ 17,117,625	\$ 16,890,232	\$ 137,135	\$ 90,258
22	Depreciation and Amortization	4,614,723	4,614,723	4,540,357	50,808	23,558
23	Taxes Other Than Income	984,899	984,899	969,891	10,304	4,703
24	Income Taxes	499,612	499,612	489,682	7,964	1,966
25	TOTAL EXPENSES [A]	\$ 23,216,860	\$ 23,216,859	\$ 22,890,163	\$ 206,212	\$ 120,485
26	OPERATING INCOME	\$ 1,510,864	\$ 1,510,864	\$ 1,480,853	\$ 24,063	\$ 5,948
27	OPERATING MARGIN AT PROPOSED RATES (L24/L12)	6.11%	6.11%	6.08%	10.45%	4.70%

Supporting Schedules

- (a) G-3
- (b) H-1
- (c) G-4b
- (d) C-5

Recap Schedules

- [A] A-1
- [B] G-1

EPCOR Arizona, Inc. - San Tan Wastewater District
Test Year Ended August 31, 2019
Cost of Service Summary
At Present Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Commercial	Public Authority
1	<u>RATE BASE (a)</u>					
2	Gross Plant in Service	\$ 175,819,109	\$ 175,819,109	\$ 173,089,773	\$ 1,870,851	\$ 858,485
3	Accumulated Depreciation	69,479,673	69,479,673	68,370,698	758,298	350,678
4	Net Plant	\$ 106,339,436	\$ 106,339,436	\$ 104,719,075	\$ 1,112,553	\$ 507,808
5	Construction Work in Progress	-	-	-	-	-
6	Working Capital Assets & Misc. Other	950,469	950,469	935,987	9,944	4,539
7	Contributions & Advances in Aid of Construction	(107,199,716)	(107,199,716)	(105,566,246)	(1,121,554)	(511,916)
8	TOTAL RATE BASE [A]	\$ 90,189	\$ 90,189	\$ 88,815	\$ 944	\$ 431
9	<u>OPERATING REVENUES (c)</u>					
10	Present Rate Schedules(b)	\$ 18,522,143	\$ 18,522,143	\$ 18,257,684	\$ 172,173	\$ 92,285
11	Other Revenues	429,743	429,743	423,429	2,915	3,400
12	Effluent Revenues	481,036	481,036	473,969	3,262	3,805
13	TOTAL OPERATING REVENUES [A]	\$ 19,432,922	\$ 19,432,922	\$ 19,155,081	\$ 178,350	\$ 99,490
14	<u>OPERATING EXPENSES (c)</u>					
15	Operations and Maintenance					
16	Collection and Pumping	\$ 4,976,723	\$ 4,976,723	\$ 4,903,045	\$ 44,993	\$ 28,686
17	Treatment and Disposal	4,505,245	4,505,245	4,435,302	41,098	28,844
18	Reclaimed Water	-	-	-	-	-
19	Customer Accounts	1,354,457	1,354,457	1,348,736	4,872	849
20	Administrative and General	6,249,628	6,249,628	6,171,711	46,059	31,858
21	Total Operating and Maintenance Expense	\$ 17,086,053	\$ 17,086,053	\$ 16,858,794	\$ 137,021	\$ 90,238
22	Depreciation and Amortization	4,614,723	4,614,723	4,540,357	50,808	23,558
23	Taxes Other Than Income	902,897	902,897	889,139	9,446	4,312
24	Income Taxes	(789,011)	(789,011)	(779,665)	(4,714)	(4,632)
25	TOTAL EXPENSES [A]	\$ 21,814,662	\$ 21,814,662	\$ 21,508,624	\$ 192,562	\$ 113,476
26	OPERATING INCOME	\$ (2,381,741)	\$ (2,381,741)	\$ (2,353,543)	\$ (14,212)	\$ (13,986)
27	OPERATING MARGIN	-12.26%	-12.26%	-12.29%	-7.97%	-14.06%
28	<u>COST OF SERVICE REQUIREMENT SUMMARY</u>					
29	REQUIRED OPERATING MARGIN	6.11%	6.11%	6.11%	6.11%	6.11%
30	REQUIRED OPERATING INCOME (L8*L27)	\$ 1,510,864	\$ 1,510,864	\$ 1,489,603	\$ 13,419	\$ 7,841
31	OPERATING INCOME DEFICIENCY/(SURPLUS) (L28-L24)	\$ 3,892,604	\$ 3,892,604	\$ 3,843,146	\$ 27,632	\$ 21,826
32	REVENUE CONVERSION FACTOR(d)[A]	1.3602	1.3602	1.3602	1.3602	1.3602
33	REVENUE DEFICIENCY/(SURPLUS) (L29*L30)	\$ 5,294,802	\$ 5,294,802	\$ 5,227,529	\$ 37,585	\$ 29,688
34	RATE SCHEDULE REVENUE REQUIREMENT (L10+L31)	\$ 23,816,945	\$ 23,816,945	\$ 23,485,213	\$ 209,758	\$ 121,974
35	INDICATED % INCREASE ON PRESENT RATE SCHEDULE (L33/L13)	27.25%	27.25%	27.29%	21.07%	29.84%
36	TOTAL REVENUE REQUIREMENT (L12 + L31)	\$ 24,727,724	\$ 24,727,724	\$ 24,382,610	\$ 215,935	\$ 129,179
37	<u>PROPOSED RATE SCHEDULE REVENUE REQUIREMENTS</u>					
38	REVENUE DEFICIENCY / (SURPLUS)	\$ 5,294,802	\$ 5,294,802	\$ 5,227,529	\$ 37,585	\$ 29,688
39	% INCREASE (L38/L10)	28.59%	28.59%	28.63%	21.83%	32.17%
40	PROPOSED RATE SCHEDULE (L10 + L38 + Change in Alloc'd. Effluent Revenue)	\$ 23,816,944	\$ 23,816,945	\$ 23,485,213	\$ 209,758	\$ 121,974
41	PROPOSED REV. REQUIREMENT (L11 + L12 + L40)	\$ 24,727,724	\$ 24,727,724	\$ 24,382,610	\$ 215,935	\$ 129,179
42	% INCREASE IN TOTAL REVENUES (L36/L13)	27.25%	27.25%	27.29%	21.07%	29.84%
43	OPERATING MARGIN ON RATE BASE AT PROPOSED RATES(e)	6.11%	6.11%	6.08%	10.45%	4.70%

Supporting Schedules

- (a) G-3
- (b) H-1
- (c) G-4a
- (d) C-5
- (e) G-2

Recap Schedules

- [A] A-1

EPCOR Arizona, Inc. - San Tan Water District
Test Year Ended 08/31/2019
Cost of Service Summary
At Present Rates

LINE NO.	DESCRIPTION	Total Company	Jurisdictional Total	Residential	Comm/Ind	Irrigation	Public Authority	Standpipe/Construction
1	<u>RATE BASE (a)</u>							
2	Gross Plant in Service	\$ 112,483,548	\$ 112,483,548	\$ 86,589,897	\$ 2,710,981	\$ 21,325,436	\$ 942,914	\$ 914,320
3	Accumulated Depreciation	36,105,402	36,105,402	28,312,862	847,435	6,329,190	305,718	310,196
4	Net Plant	\$ 76,378,146	\$ 76,378,146	\$ 58,277,035	\$ 1,863,546	\$ 14,996,245	\$ 637,196	\$ 604,124
5	Construction Work in Progress	-	-	-	-	-	-	-
6	Working Capital Assets & Misc. Other	(3,413,269)	(3,413,269)	(2,604,347)	(83,280)	(670,168)	(28,476)	(26,998)
7	Contributions & Advances in Aid of Construction	(70,576,190)	(70,576,190)	(53,850,104)	(1,721,985)	(13,857,077)	(588,792)	(558,233)
8	TOTAL RATE BASE [A]	\$ 2,388,687	\$ 2,388,687	\$ 1,822,584	\$ 58,281	\$ 469,000	\$ 19,928	\$ 18,894
9	<u>OPERATING REVENUES (c)</u>							
10	Present Rate Schedules(b)	\$ 11,453,272	\$ 11,453,272	\$ 9,228,646	\$ 256,707	\$ 1,741,258	\$ 104,391	\$ 122,270
11	Other Revenues	505,330	505,330	363,082	14,042	119,044	4,431	4,731
12	TOTAL OPERATING REVENUES (d)	\$ 11,958,601	\$ 11,958,601	\$ 9,591,728	\$ 270,749	\$ 1,860,302	\$ 108,822	\$ 127,001
13	<u>OPERATING EXPENSES (c)</u>							
14	Operations and Maintenance							
15	Production	\$ 3,517,517	\$ 3,517,517	\$ 2,565,538	\$ 95,115	\$ 794,599	\$ 31,602	\$ 30,663
16	Transmission and Distribution	1,767,413	1,767,413	1,373,023	41,716	323,792	14,604	14,279
17	Customer Accounts	1,046,325	1,046,325	1,021,220	4,369	18,524	1,091	1,122
18	Administrative and General	2,702,261	2,702,261	2,358,049	37,670	282,372	12,276	11,894
19	Total Operating and Maintenance Expense	\$ 9,033,516	\$ 9,033,516	\$ 7,317,830	\$ 178,869	\$ 1,419,287	\$ 59,572	\$ 57,958
20	Depreciation and Amortization	2,376,471	2,376,471	1,911,959	53,140	370,173	19,954	21,245
21	Taxes Other Than Income	547,837	547,837	418,003	13,367	107,564	4,570	4,333
22	Income Taxes	(10,741)	(10,741)	(22,287)	6,044	(11,280)	6,058	10,724
23	TOTAL EXPENSES	\$ 11,947,083	\$ 11,947,083	\$ 9,625,506	\$ 251,419	\$ 1,885,744	\$ 90,155	\$ 94,260
24	OPERATING INCOME [A]	\$ 11,518	\$ 11,518	\$ (33,778)	\$ 19,329	\$ (25,442)	\$ 18,667	\$ 32,741
25	OPERATING MARGIN	0.10%	0.10%	-0.35%	7.14%	-1.37%	17.15%	25.78%
26	<u>COST OF SERVICE REQUIREMENT SUMMARY</u>							
27	REQUIRED OPERATING MARGIN	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%	6.11%
28	REQUIRED OPERATING INCOME (L8*L27)	\$ 795,846	\$ 795,846	\$ 601,015	\$ 20,266	\$ 134,046	\$ 24,517	\$ 16,001
29	OPERATING INCOME DEFICIENCY/(SURPLUS) (L28-L24)	\$ 784,328	\$ 784,328	\$ 634,793	\$ 936	\$ 159,488	\$ 5,850	\$ (16,740)
30	REVENUE CONVERSION FACTOR(d)[A]	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600	1.3600
31	REVENUE DEFICIENCY/(SURPLUS) (L29*L30)	\$ 1,066,697	\$ 1,066,697	\$ 863,327	\$ 1,274	\$ 216,906	\$ 7,956	\$ (22,766)
32	RATE SCHEDULE REVENUE REQUIREMENT (L10+L31)	\$ 12,519,969	\$ 12,519,969	\$ 10,091,973	\$ 257,980	\$ 1,958,165	\$ 112,347	\$ 99,504
33	INDICATED % INCREASE ON PRESENT RATE SCHEDULE (L31/L10)	8.92%	8.92%	9.00%	0.47%	11.66%	7.31%	-17.93%
34	TOTAL REVENUE REQUIREMENT (L12 + L31)	\$ 13,025,298	\$ 13,025,298	\$ 10,455,055	\$ 272,022	\$ 2,077,208	\$ 116,778	\$ 104,235
35	<u>PROPOSED RATE SCHEDULE REVENUE REQUIREMENTS</u>							
36	REVENUE DEFICIENCY / (SURPLUS)	\$ 1,066,697	\$ 1,066,697	863,327	1,274	216,906	7,956	(22,766)
37	% INCREASE (L36/L10)	9.31%	9.31%	9.35%	0.50%	12.46%	7.62%	-18.62%
38	PROPOSED RATE SCHEDULE (L10 + L36)	\$ 12,519,969	\$ 12,519,969	\$ 10,091,973	\$ 257,980	\$ 1,958,165	\$ 112,347	\$ 99,504
39	PROPOSED REV. REQUIREMENT (L11 + L38)	\$ 13,025,298	\$ 13,025,298	10,455,055	272,022	2,077,208	116,778	104,235
40	% INCREASE IN TOTAL REVENUES (L36/L12)	8.92%	8.92%	9.00%	0.47%	11.66%	7.31%	-17.93%
41	OPERATING MARGIN ON RATE BASE AT PROPOSED RATES(e)	6.11%	6.11%	1.38%	19.53%	10.15%	59.38%	51.16%

Supporting Schedules

- (a) G-3
- (b) H-1
- (c) G-4a
- (d) C-5
- (e) G-2

Recap Schedules

- [A] A-1